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THE PROGRAM EXECUTIVE OFFICER (PEO) CONCEPT:
HOW CAN WE MAKE IT WORK?

AN INDIVIDUAL STUDY PROJECT

by

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ABSTRACT

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> In 1986, the most sweeping reforms of the United States
Military establishment since the Department of Defense was
established in 1949, was mandated both by act of Congress and by
Presidential Directive. Public Law (PL) 99-433, commonly called
the Goldwater Nichols Reorganization Act, and National Security
Decision Directive 219 formed the basis and direction of the
reorganization. One of the key provisions of these documents was
to streamline the acquisition process within the Department of
Defense and to make it operate more like a commercial operation.
The PEO Concept grew from this guidance. This study will review
the legislative and administrative developments that led to the
formation of the PEOs and to attempt to derive their intent. It
will then trace the policy enactment at various levels to
evaluate how well the current Army policies concerning the PEO
implementation comply with that intent. Additionally, it will
discuss the viability of the program, using as a basis for
analysis, previous historical experience, current resourcing
problems, and structural problems. Finally it will draw
conclusions concerning the potential for success of the PEO
concept as now implemented and recommend changes that should be
made to improve its chances for meeting the stated intent of
improving the acquisition process.

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CHAPTER I

INTRODUCTION

The PEO concept has now been in the implementation phase
for almost one year. The intent of forming the PEO organizations
was to improve the acquisition process. After a years worth of
experience it is appropriate to look at how implementation is
progressing and to evaluate its effectiveness. This paper will
present a discussion of the origin of the program, basic
conceptual problems associated with the program, problems
encountered with the Army's implementation, and close with
recommended changes to the Army's program that would
give the PEO system a fighting chance to succeed.

BACKGROUND

The streamlining of the Department of Defenses (DOD)
acquisition system was part of a larger defense reorganization
that began in earnest in the early 1980s. In February of 1982,
General David C. Jones, USAF, then Chairman of the Joint Chiefs
of Staff, shocked the defense establishment by writing of the
limited effectiveness of the Joint Chiefs due to major structural
problems within the current system. Additional support from
within the military was soon forthcoming from General Edward C.
Meyer, USA, then Chief of Staff of the U.S. Army, who echoed the
need for change. The public expression of their views by two

incumbent members of the Joint Chiefs energized Congress to take action.

There had been much discussion within Congress going back as far as 1958 that had tried to implement a reorganization with little success. Now key Congressional supporters of the military, that had long opposed any major changes to the military structure, began to be swayed. In June 1983 the Senate Armed Services Committee began a comprehensive review of the DOD organizational relationships and decision making processes. By early 1985 the momentum for change was growing. The general consensus of both the House and Senate was that the time for change was at hand. This was in part based on a general unhappiness with the size of the defense budget and the efforts of the administration to cut back drastically on domestic programs. There was also wide spread belief that Secretary Weinberger, like his boss, really didn't understand defense issues. The memories of the problems that were encountered during the Iran hostage rescue and the Grenada invasion provided further evidence that all was not right with the current structure. Weinberger lost all hope of forestalling change when, during this period, several weapons systems failed critical tests and news of over priced spares and repair parts was an almost everyday occurrence. The House Armed Services Committee, led by pro-defense Representatives Bill Nichols (D-Ala), Ike Skelton (D-Mo), and Larry Hopkins (R-Ky) were totally committed to passing legislation to reform the military structure. On the Senate side, Senators Barry Goldwater (R-Az), and Sam Nunn (D-Ga) were

equally determined to press forward with reorganization in spite of strong objections from DOD and in particular Secretary of Defense Weinberger. Senator Goldwater remarked upon the passage of the reorganization legislation that: "Elements of the Pentagon have fought us every step of the way."[1] This resistance to change, as will be discussed later, is still with us.

LEGISLATIVE AND EXECUTIVE GUIDANCE

In July of 1985, primarily as a result of Congressional pressure, President Reagan formed a blue ribbon commission headed by David Packard to study the current defense organizational structure in its entirety. This study was to include the budget process, legislative oversight, organizational and operational arrangements among The Office of the Secretary of Defense, The Organization of the Joint Chiefs of Staff, The Unified and Specified Commanders, The Military Departments, and The Congress. Also included as a major objective, and the one that is key to this discussion, was their review of the military's acquisition system.

After extensive hearings and deliberations the committee made a series of recommendations to the President. Almost all the recommendations were implemented. Many were incorporated into the reorganization bill that was working its way through Congress and others were incorporated into National Security Decision Directive (NSDD) 219.

By 11 September 1986 the House Senate Conference Committee had approved the reorganization bill. The Senate passed it on a voice vote on 16 September and the House on 17 September 1986. Public Law (PL) 99-433, commonly called the Goldwater Nichols Reorganization Act, was signed it into law by the President on 1 October 1986. PL 99-433 and NSDD 219 were now in effect and the process of implementation was to begin.

ENDNOTES

1. <u>Congressional Quarterly Almanac</u>, 1987, p. 458.

CHAPTER II

PACKARD COMMISSION

Since the Packard Commission had the largest impact on the acquisition system and provided the impetus for the formation of the PEOs, it is important to understand the over-arching philosophy of the Commission, to gain a better understanding of the premises guiding their deliberations, and to determine the validity and intent of their recommendations. It made recommendations in four areas that directly affected the acquisition process. First, it recommended, in the area of planning and budgeting, that a biannual budget be used to obtain more program stability that would therefore, improve the planning process. The second change proposed was in military organization and command structure. It proposed reorganizing the Joint Chiefs of Staff (JCS) to strengthen its influence in the chain of command and thus make the services more responsive to the JCS's desires. Third, it recommended holding senior government and industry officials more accountable for their actions. The final and most critical recommendation was the reorganization of the acquisition bureaucracy within the Defense Department (DOD). The goal was to achieve greater control over the process, primarily by placing greater civilian controls over acquisition decisions and by shortening reporting chains.

COMMISSIONS PHILOSOPHY

The Packard Commission used as its basic philosophy the concept that the Defense Acquisition System would be more

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effective if it followed the principles established in successful
commercial business development programs. The commission
identified six components that were found in successful
commercial programs:[1]

1. Clear Command Channels: In the commercial world the
chain of command between the Program Manager (PM) and the Chief
Executive Officer (CEO) is short and unambiguous.

2. Stability: A fundamental agreement is reached between
the PM and the CEO regarding cost, schedule, and performance.
Within the constraints of this agreement the PM has the support
of the CEO to implement the program.

3. Limited Reporting Requirements: Reports are normally
made as an exception basis if deviations in cost, schedule or
performance occur.

4. Small High Quality Staffs: Time is spent managing the
program and not selling or defending it.

5. Continuous Communications With the Users: Dialog is
continuous to coordinate cost-performance trade-offs.

6. Prototyping and Testing: Prototyping and early
operational testing are used to insure timely identification and
correction of problems.

The importance of these six conditions seems to be self-evident.
What is not so obvious I would submit, is how feasible it is to
apply them in a system that is constantly and continually open to
political scrutiny and manipulation. As opposed to the
commercial venture where the CEO is one person, the military
equivalent to the CEO may be any one of 535 Congressmen or untold

numbers of political appointee's who have their own political
agenda and who are not parties to the PM's agreement. I do not
argue that political inputs are necessarily bad, but only point
out the mechanisms under which the commercial project manager
operates and those which the military project manager operates
are different. Considering the realities of the environment may
alter the degree which allows the transfer of methodologies from
the civilian sector to the military.

COMMISSIONS GUIDANCE

The Commission's recommendations were incorporated into
NSDD 219. It was this directive that directly caused the
implementation of the PEO system. The requirements that imposed
are summarized as follows:[2]

1. Establishment of a Service Acquisition Executive (SAE).

a. Has full time devotion to acquisition
responsibilities.

B. Will be a top-level presidential appointee of
the rank equivalent to a Service Under Secretary.

c. Must have substantial experience in
acquisition.

2. Program Executive Officers will be appointed to be
responsible for a defined number of acquisition programs.

3. Program Managers will be responsible directly to their
respective PEO and on program matters report only to him.

4. There will be no more than one level of supervision
between the PM and the SAE.

5.   There will be no more than two levels of supervision between the PM and the Defense Acquisition Executive (DAE).

As a result of NSDD 219, DOD Directive 5000.1 and DOD Instruction 5000.2 have been rewritten to reflect the necessary changes. 5000.1 lays out the duties of the key players in the acquisition process. Of special interest are the duties of the PEOs as outlined in the directive.

> Program Executive Officers shall:
>   a.   Discharge their assigned management responsibilities in a manner consistent with the guidelines established by the SAE and this directive.
>   b.   Assure subordinate PMs are cognizant of, and are complying with, the policies and provisions of this directive.
>   c.   Stay abreast of the status of programs within their assigned management responsibility and insure that imminent and actual breaches of Secretary of Defense decisions and established program baselines are promptly reported to the SAE along with recommended alternatives regarding future direction and actions.
>   d.   Periodically assess the personnel assets and requirements of subordinate PMs, and the adequacy of functional management support they are being accorded, so that recommended adjustments can be identified to the SAE for decision.
>   e.   Assure that subordinate PMs are given full authority to manage their respective programs within the scope of established baselines.[3]

Note that the key elements are to stay abreast of the programs, to keep the SAE informed, to supervise the PMs, and to insure that they are resourced, supported and have the full authority to manage their programs. We will discuss later how well the Army implementation of this guidance supports or fails to support this guidance.

ENDNOTES

1. "Reorganizing the Army Acquisition Structure An Interview with LTG Jerry Max Bunyard AMC Deputy Commanding General for RD&A," Army Research, Development & Acquisition, (September-October 1987), p.2.

2. Ibid, p. 2.

3. U.S. Department of Defense, Department of Defense Directive Number 500.1, Subject: Major and Non-Major Defense Acquisition Programs, (1 September 1987), p. 9.

CHAPTER III

THE ARMY IMPLEMENTATION

With its guidance clearly defined the Army began work to
implement its program. Title V of the Goldwater Nichols
Reorganization Act required that duplication of efforts between
the Secretariat and the Military Staffs be eliminated. To
accomplish this acquisition, auditing, comptroller, information
management, inspector general, legislative affairs, public
affairs, and research and development functions were moved to the
Secretariat. The Army staff sections responsible for these
activities were transferred to the Secretariat, but with loss of
spaces. Two key moves that most affected acquisition saw the
Deputy Chief of Staff for Research and Development and
Acquisition, and Contracting Activities of the Deputy Chief of
Staff for Logistics moved into the Army Secretariat.

In response to DOD guidance and NSDD 219, the Army
designated the Under Secretary of the Army as the Army
Acquisition Executive (AAE) and formed the Program Executive
Officers, reporting directly to the Army Acquisition Executive.
Each PEO was to be in charge of a number of Project Managers
working in a given area of specialization. The Army structure is
shown at figure 1. The Army currently has established 22 PEO's
reporting directly to the. AAE. Figures 2 and 3 show the Air
Force and Navy systems for comparison purposes.

THE ARMY GUIDANCE

In November of 1987 the Under Secretary of the Army
provided further guidance to the field on the implementation of
the PEO System. The following is quoted from his letter:

> PEOs (or separately reporting program managers)
> supervise assigned programs, project, and product
> managers (PMs) and provide planning guidance direction,
> control and support necessary to field the systems
> within cost, schedule, and performance baselines. PEOs
> are responsible for executing assigned programs, as
> approved by the Department of the Army, ensuring all
> Army Agencies involved in the acquisition of Army
> Material are responsive to the needs of the PM in
> achieving programatic goals. PEOs are responsible for
> the planning, programming, budgeting and execution
> necessary to guide these programs through all
> milestones. Specific PEO responsibilities are:
>
> - Integrate across assigned programs.
>
> - Extend AAE management oversight to PMs.
>
> - Coordinate inter-PEO relationships with strong
> horizontal coordination to support fielding by unit
> set.
>
> - Ensure continuing mission area interface with U.S.
> Army Training and Doctrine Command (TRADOC) and TRADOC
> proponent centers and schools.
>
> - Track and enforce program baselines.
>
> - Monitor PM and contractor performance to include
> significant contract management issues.
>
> - Ensure development of required documentation for
> all scheduled reviews.
>
> - Ensure that Manpower and Personnel Integration
> (MANPRINT) and safety considerations are properly
> addressed in system development.
>
> - Coordinate, as required, with functional staffs at
> the Army staff and Secretariat.
>
> - Ensure that Baseline Cost Estimate is
> completed.[1]

He went on to discuss the significant role the PEO has in interfacing with Congress, the DOD staff, the user community, and his key role in inputting into the Planning, Programming, Budgeting, and Execution System (PPBES). Two key elements should be apparent from this guidance. First, it clearly spells out that the PEO is solely responsible for cost, schedule and performance and for insuring that adequate resources are available to accomplish these duties. In addition it points out the areas of responsibility that were once carried out by the Army Material Command (AMC), that are now PEO responsibilities. As will be discussed in more detail latter it seems to be clearly the intent of all guidance up until now that the process was to be streamlined and responsibility and accountability was to be vested in the AAE-PEO chain. To accomplish this intent AMC can no longer be the key player in the Army Acquisition System. I believe the intent was to make major changes in the way we acquire systems. As we shall see AMC does not appear to agree.

THE AMC POSITION

In September 1987 the AMC Commander issued his guidance to the PEOs. While it was an extremely well thought out document and provided a great deal of useful and much needed guidance, it did not appear to support the intent of the reorganization. While repeatedly acknowledging that the PEO was the decision maker, he outlined procedures that left the PEO a decision maker in name only, with all the assets necessary to control cost, schedule and performance, firmly under AMC control. Instead of

streamlining the procedure, a more complex parallel structure was established with AMC interjecting itself at every level and decision point.[2] (See figure 4) Tony Capaccio, writing on the controversy surrounding General Wagners memo, wrote that although he expounded that AMC Headquarters would not impose layers of review on PMs and PEOs, but that they "will not defy AMC Headquarters."[3] In other words the chain to the AAE can certainly be used, but only once. General Wagners concept of the PEO implementation and its impact on AMC and the acquisition process seems clear in a statement that he made to the U.S. corporate world in the AMC command newsletter to the defense industry: "... Many of you may wonder how that responsibility is changing under the Department of Defense reorganization. The answer is simple - very little."[4] I would submit that if very little is changing then the turmoil and confusion involved with the reorganization is probably not worth the effort and that any improvements that are potentially possible will fail to be realized. I believe the program outlined by General Wagner is not in keeping with the intent of the Packard Commission and DOD guidance. Further, I believe that our acquisition history does not support the informal dual chain concept as laid out by General Wagner.

ENDNOTES

1. James R. Ambrose, Department of the Army Office of the Under Secretary to the Army acquisition community, Subject: Army Acquisition Executive (AAE) Policy Memorandum #87-7 (10 November 1987), pp. 1-2.

2. General Louis C. Wagner Jr., U.S. Department of the Army Headquarters U.S. Army Material Command, letter to PEOs, Subject: Program Executive Officer (PEO) Management Guidance (8 September 1987), pp. 1-9.

3. Tony Capaccio, "Army Counsel Investigating Legality of AMC Head's Memo," Defense Weekly, (19 October 1987), p. 14.

4. MG Lynn H. Stevens, "Briefing Slides U.S. Army Acquisition System Reorganization," AMC, (9-13 November 1987).

CHAPTER IV

DIVIDED RESPONSIBILITY

In the mid 1970's a study was done by the Army Material
Acquisition Review Committee to consider methods of improving the
acquisition process while also improving readiness. One of the
thrusts of that study was that the Major Subordinate Commands of
the Development, Acquisition and Readiness Command (DARCOM)(what
is now the Army Material Command) were too large and that the
span of control of the commanders was to great to effectively
oversee both the development and acquisition of systems and
insure the readiness of the fielded forces was maintained.[1]
The solution implemented to solve this problem was to separate
the various MSCs into two or more separate commands reporting to
DARCOM. One would be devoted to research, development, and
acquisition, and the other devoted to sustainment and readiness.
For example the old Electronics Command (ECOM) was split up into
three commands: the Communications Research and Development
Command (CORADCOM), the Electronics Research and Development
Command (ERADCOM), which were responsible for research,
development, and acquisition of systems, and the Communications
Electronics Readiness Command (CERCOM) that was responsible for
readiness. Where there had been one command responsible for the
total life-cycle of a piece of equipment, there were now three.
Each was headed by a one or two star general and reported
directly to the commander of DARCOM.

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On paper the reorganization appeared to make a great deal of sense. The prospect of a reduced span of control at the MSC level seemed to insure closer supervision of all aspects of the process and thus a more efficient and productive use of resources would follow. What sounded logical on the drawing board soon proved to only make matters worse. The personnel turbulence involved in the reshuffle of headquarters was to adversely effect much of the civilian work force and the hard feelings that resulted significantly reduced effectiveness for several years. It was also learned that separating the commands was neither easy structurally or physically. It was not obvious or clear what functions should belong in which command, or if in fact, a function should be duplicated in all three commands. The physical plant at many locations was inadequate to house the new commands. Even a thing as simple as phone support was a problem. The one bright spot during this reorganization was that adequate funding was available for it. A special AMARC reorganization fund was set up to fund the reorganization. On the down side, one cannot help but wonder what important and much needed equipment was not funded to make the funds available for the reorganization.

Finally after more than four years the splits were made and the various commands were fully functional. During the implementation phase, and even prior, many man hours went into establishing memorandums of understandings (MOU's) and memorandums of agreements (MOA's) that outlined how the commands were to interface with each other. If this formulation was

difficult to agree upon and even harder to document, it was next to impossible to implement. The readiness command maintained a great deal of the matrix support for the development commands. Most notable was the logistics function. As is well known the integrated logistics support planning must be done from the very inception of a program. It is also well known that a program that includes a no risk logistics package will be in development forever, at a cost that makes it totally unaffordable. Where as before the reorganization, the arbitrator of issues between the program manager and the functional areas was the MSC commander, the issues were now required to be elevated to the DARCOM commander level for resolution, since the PMs now worked for a separate commander of equal rank. The tendency from the beginning was for the readiness command to demand more in the support area and the developer to want less. While in theory the DARCOM commander could have easily resolved these disputes, he often did not for two reasons. First his span of control had now been over extended, and secondly, and more importantly, many issues were not raised to him. The MSC commanders were reluctant to continually take problems to the boss. The result was that issues were referred to working groups who, through long exhaustive meetings attempted to come to agreement. Most, however, were resolved by default as time passed and the issues were overcome by events. Usually the readiness command wound up the big looser until it came time for the project to transition from the developer to the readiness command.

After the program manager had gotten the program through first production it was to be transferred to the readiness command for further procurement, follow on product improvements and for continued life-cycle management. While some of the major programs might stay with a program manager for an indefinite period for major product improvements, most were to be transitioned. It was here that the readiness command got the last say. Data packages, spares, and other logistics issues that had not adequately been resolved, now began to become stumbling blocks to the transition process. By the early 80's the transition process had almost totally broken down, with virtually no items successfully transitioning.

By the early 80's it was clear that the reorganization was not working. The commands began to merge. The first was the Missile Readiness Command (MIRCOM) and the Missile Research and Development Command (MIRADCOM) merged to form the Missile Command (MICOM). Soon CECOM and CORADCOM followed suit and became what is now the Communications Electronics Command (CECOM).

I believe the plan that looked so good on paper failed principally for two reasons. First the overhead involved in establishing the additional headquarters and often duplicative staffs was unaffordable. Second and more importantly the elevation of the decision making process to level of the DARCOM commander for so many issues had the effect of making no one the decision maker for a multitude of relatively small, but important issues. So much manpower was devoted to the issue resolution by committee that more important issues were often not worked.

The failure of that effort should have caused us to look closely and warily at the PEO concept as is it now implemented. Either this was not done, or it was done and mechanisms were envisioned that would overcome the previous problems. I'm afraid, however, that we are marching down the same road without much hope of resolving the problems experienced in the 70's. The reorganization of the 70's elevated critical trade off decisions to a level (AMC Commander) that was not in the position to routinely make them. Because of the parallel chain of command implemented under PEO concept, that level is raised even higher to the Under Secretary level. While this will support the major decisions, it leaves the minor decisions to the working group level, and what is minor to the Under may be a long range program stopper. With the Under's minimal supporting staff, relative isolation, and excessive span of control, the decisions will not get made unless there is total cooperation among all the players. A system that is based on cooperation is really based on personalities. What we have created is a system that depends for its success on an attitude of mutual cooperation by all involved. As stated in an AMC talking paper: " How well the PEO Management System works depends more on attitude than on organization and process."[2] That does not seem to be the cornerstone on which to base an acquisition system. Given that this system has been implemented we must attempt to make it work. I think the chance for success is remote, unless the program is implemented with vigor and supported with adequate resources, an effective plan, and a commitment to success without regard to "turf."

ENDNOTES

1. Wendell B. Sell, Army Material Acquisition Review Committee Report, (April 1974), p.   .

2. COL. William V. Murry, Department of the Army Headquarters Army Material Command, Talking paper, (30 September 1987), p. 1.

CHAPTER V

RESOURCING THE SYSTEM

With the spectre of previous failure looming over us lets
look at how well the PEO process is being supported in the field
and within the Army leadership. If the PEO concept is to work,
it clearly must be adequately resourced. This includes the key
areas of people and money. The PEO's charter has placed on them
the responsibility for controlling the cost, schedule, and
performance of their assigned programs. It is the control of
people and money that are the tools that will allow the PEO to
have control over these three areas. To argue that he can do it
based on his position, his access to the AAE or some other
procedural mechanism is purely wishful thinking. I have never
been exposed to any manager who could influence a program in any
meaningful way without control over his own resources.

PEOPLE RESOURCES

A look at the current PEO implementation shows that the
resources have in fact not been given to the PEO and PM's to
accomplish their assigned tasks. To the contrary the old AMC
structure has kept strings tied to both the people and the money.
To see how, lets first look at the people resources.

The PMs in CECOM are organized under the core/matrix
concept implemented by AMC in 1986 prior to the formation of the
PEOs.[1] The plan was developed to make smaller PM offices and
to better utilize the shrinking manpower resources. It would
also, in theory, facilitate task organizing to resolve problems

across PM and functional organization boundaries. The theory
calls for only managers to be assigned to the offices and all
the doers to be assigned to the functional divisions of the MSCs.
Prior to the reorganization the PM offices had developed into a
somewhat autonomous and self-sufficient organizations. While
this provided a very responsive organization to the PMs, it had
what was deemed by the AMC leadership to have major flaws. It,
for example, offered no flexibility to adjust to work load
fluctuations between PMs or to change the composition of skills
needed during various phases of acquisition. It was also not
responsive to growth of PM offices as a project grew or to their
phase down and dissolution as projects were transitioned to the
readiness directorates.

The organizational structure that developed was divided
into three groups consisting of the Program Management core, the
resident or dedicated matrix, and the pure matrix personnel. The
core was made up of the chiefs of the various divisions, such as
program management, technical management, logistics management,
and assistant PMs, field office elements, and a small
administrative and clerical staff. The dedicated matrix staffs
that augmented this core staff came from the functional area of
the MSC, but worked on a full time basis on a particular PM's
project. As an example, the dedicated matrix is made up of
personnel from the comptroller, logistics, product assurance, and
test directorates. While these people were on the functional
directorates TDA, they were dedicated to one project, were rated
by the PM, and were in reality a true and full member of the PM's

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staff. The third category of personnel working on a PM's project were true matrix people that would be working in a given functional area on more than one project. They could for example be tasked to work for one PM for a given period of time to resolve a particular problem or to meet a surge requirement, such as supporting source selection, or work on a problem that affected more than one PM. These personnel could come from any of the directorates listed, plus those from procurement, legal, small business, and EEO. As a result of this structural alignment the average core element has about 20 personnel and the dedicated core on the average for a fully functional PM office is made up of an additional 30 personnel.[2]

The personnel that were moved back into the functional area were placed into newly established divisions in each functional area. These project management support divisions were designed to provide the dedicated support to the project managers and to insure that no PM is neglected in favor of another PMs project or in favor of MSC internal projects. The chief of this division in each functional area also serves as the deputy of the functional area.

This organization created several concerns when it was formed. These concerns focused on the personnel turbulence in the resident matrix, loss of financial and management control of the resident matrix personnel by the PM, issues of hiring and firing, and performance appraisal preparation were among the principle concerns. Prior to the formation of the PEO concept these fears proved to be more perceived than actual, because the

MSC commander was not only in charge of the functionals, but also the PMs. Now this is no longer true. The PM office core now belongs to the PEO chain, while the functionals belong to the AMC chain.

The belief, and probable reality is that the best matrix people in the functional area will begin to be pulled from the PM shops resident matrix structure to the pure functional matrix structure. It is almost a given, considering human nature, that management will put the best people in positions that will best serve the management structure.

The rating of the dedicated matrix people has now shifted to the functional division with letter input from the PM's office. While this in theory still gives the PM some leverage, he certainly has nowhere near the influence he had when he rated them. It has been my experience that at the lower levels, letter input has almost no effect on an individuals rating. The CECOM commander, in an effort to make the system work has told the functional division chiefs that they will be held jointly responsible with the PM for insuring the success of the programs with which they are involved. While this is the strongest force he can apply to attempt to make the system work, I believe it will not be enough to achieve the desired results. The idea of split responsibility may work adequately in organizations that formulate policy and give general guidance, but it is not feasible at the lower levels where the programs are managed and executed. The PEO, by charter, is the decision maker and is responsible for the program. The functional division chief,

while able to influence the program, cannot in reality be held accountable. Being responsible for a piece does not equate to being responsible for the whole. The functional chief, if he is to protect himself, must fight for what his functional area needs to achieve assured success. To accept a trade-off that places more risk in his functional area is to" buy on" to being held accountable if something goes wrong, without the incentive that he will receive any reward if the decision turns out to be the correct one. If on the other hand he fights for a position and is overruled by the PM he cannot be held responsible if the decision was a bad one. While I do not mean to cast dispersion on the functional chiefs, I do not see any benefit to them or the organization they must champion to willingly go along with trade-offs. To trade-off, lets them buy on to the risk with little incentive to take a chance. Going back to the experiences of the separate development and readiness commands seems to support the argument that the functionals will take the conservative approach and not actively participate in making the hard choices.

If having the dedicated matrix personnel working for the functionals is not a good solution, an examination of the impact of having them work for and rated by the PMs needs to be readdressed. I would take the position that the arguments made assigning them to the functional areas is another example of what looks good on paper, but ignores the reality of the situation. In reality the functionals do not really rotate to new projects with much frequency. As the life of PM organizations is extended, this rotation will become even less. In fact current discussions

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indicate that PMs may never be disbanded, but simply move on to the next generation of product. Secondly, the technical lessons learned on one project do not necessarily translate to other projects. Therefore the argument that closer ties to the matrix organization will provide not only better qualified support to the PMs, but will broaden the knowledge base of the personnel is questionable. Thirdly, moving into the more prestigious PM management jobs would be easier for those assigned to a PM office. Those from the functional area will be less apt to be competitive for these management positions. This will have the effect of making the resident matrix people appear to be second class citizens and not a true part of the PM team. I believe that the most efficient and equitable organizational scheme is to assign these personnel to the PM and have them rated by the PM. Taking note from the bible: "To expect them to serve two masters is to insure that they love one and hate the other."

Currently, planning is being done to reduce the number of PEOs and return non-major systems back to the MSC Commander. While this approach will in fact reduce the span of control at the Under Secretary level, it will make it even more difficult for the PEO and his subordinate PMs to obtain the required support. The best qualified functional support will slowly, but surely migrate toward the MSC program managers.

FINANCIAL RESOURCES

In addition to not having control of the people needed to manage his programs, the PEO does not control his resources. He

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is responsible for submitting his budget requirements for his program and insuring that other agencies, such as new fielding locations, budget for their portion of the project. The complexities of how budgeting is done between the PEO and AMC is not yet well defined. Again the PEO is responsible, but has little if any control over a key player. On the contractual side he can control his destiny. On the MSC side he is at the mercy of AMC.

Once the problems associated with budgeting is solved the PEO still does not have control of the funds. Instead of coming down through PEO channels the funds are issued through AMC channels. Funds for the PEO are eventually forthcoming for the PEO and PMs use outside AMC. The funds for support from AMC are placed in the functional area for use on a particular project. While in theory this money must be expended on the project designated by the PEO and cannot be shifted without the concurrance of the AAE or PEO, the money is still not under his control.[3] To get it moved is no trivial task, especially if it is opposed by the MSC or AMC Commander. In addition the money coming through the MSC can and is taxed for overhead. Since it is taxed prior to coming to the PEO, he has little influence or control over the amount of money taxed or the use it is put to.

While the PEO can, with effort, probably move resources as is needed, the system is stacked against him. In order to get his funds, or shift funds, he must negotiate with the AMC/MSC commander. This appears to be backwards. If the PEO is responsible for the funds expended for his programs he should

receive the money directly and be able to disperse it as he deems

appropriate. If the MSC needs more money or needs to raise

overhead then the onus should be on them to justify it to the

PEO. If the PEO is responsible, the system should be set up for

him to exercise his authority in the easiest possible manner. As

currently set up the default control of funding is to AMC, who is

not responsible for the program.

ENDNOTES

1. MG Robert D. Morgan, "Briefing Slides Core Matrix
Organizational Concept," CECOM, (September 1986).

2. "PEO Assumptions/Recommendations," CECOM Draft
Briefing Slides, (April 1987).

3. General Louis C. Wagner, p. 7.

CHAPTER VI

CONCLUSIONS

In summary, it appears that the PEO concept while, implemented with good intent has, little chance of succeeding in the current environment. First, it is a concept that is based on the theory that the Defense Acquisition system can function under the same premise as a commercial organization. I have argued that due to the diverse political pressure and oversight provided by the administration and Congress that this is a faulty premise. Second, I have argued that the idea of splitting the acquisition chain of command from the readiness chain of command has been tried before and failed. Associated with this is the increased span of control and the raising of the decision authority to such a high level that decisions really are not made, but go to default values. Third, I have argued that as the PEO structure is set up, that whatever chance it had for success is being taken away. The primary argument is that the people and resources needed to control a program have been maintained by AMC, and that the only mechanism available to the PEO to effect their programs is to blow the whistle to the Under Secretary. This is a method that would only work once if at all. It is difficult, under the current structure, for a PEO with a staff of 25 to win a battle with a four star General with a staff of thousands.

CHAPTER 7

RECOMMENDATIONS

What can we do? In spite of the reservations I have expressed about the Packard Commissions basic premise that DOD acquisition should follow the commercial model, I do not argue with the intent of their recommendations. Even if I did it is a law and a NSDD directive and I would hope we would strive to make it happen to the best of our abilities. I would propose two approaches that could be taken to give the PEO process a fighting chance.

The first proposal is to simply take the process that has been developed and support it. The PEOs and PMs must be resourced with the required people. Those resident functional specialists must remain on the PMs team and be rated, rewarded and punished through the PEO channels. The budgeting and fund control must both reside under the PEOs direct control. Finally I know of no way to eliminate the dual chain that goes from the MSC through AMC on functional issues, but it is clear that AMC must relinquish more control than it to date has been willing to do if the system is to have any chance to succeed. AMC is not responsible for the PEO programs and cannot insist on being manned and staffed to keep track of all the PEOs are doing. AMC must truly be in the support role and not in the oversight role. If the previous system had its problems, at least there was a chain of command to make things happen. A chain of command still exists, but it does not include AMC. To keep AMC operating with no change in orientation, will not work.

The second proposal would recommend changing the PEO concept more in line with the Navy approach. I would make the MSC Commanders the PEOs. The current one star PEOs would be folded in under the MSC commanders as assistant PEOs. I would then make the AMC commander dual hatted as the Commander of AMC and the Deputy AAE to the Under Secretary. This would resolve the dual chain of command that we now have, and it would put all the people in the same chain of command. It would reduce duplication of effort and free spaces, and it would put all the funding under the control of the PEOs. It places the decision level back at the level of the MSC Commander/PEO where it can effectively be executed. It meets the intent of NSDD 219 in that accountability is maintained and their is only one level between the PEO and the AAE and only two levels between the PM and the AAE. Having the MSC commander function as the PEO would still allow him to do the thing the current PEOs can do and more. He could still cross level funds between his PMs as appropriate, he could effect the necessary horizontal integration of battlefield functions and he would still be the single high level interface with Washington. The dual hatted status of the AMC Commander could create difficulties, but would a have less devastating impact than the current system.

I would strongly recommend the second approach. The first approach would be better than continue as we are going, but based on my observations during AMARC it is doubtful that it will succeed. The second system would provide a much clearer and more streamlined chain of command. Changing paths now would be

difficult, but better than "stonewalling" with an unworkable
solution now, and being forced to change by outside forces after
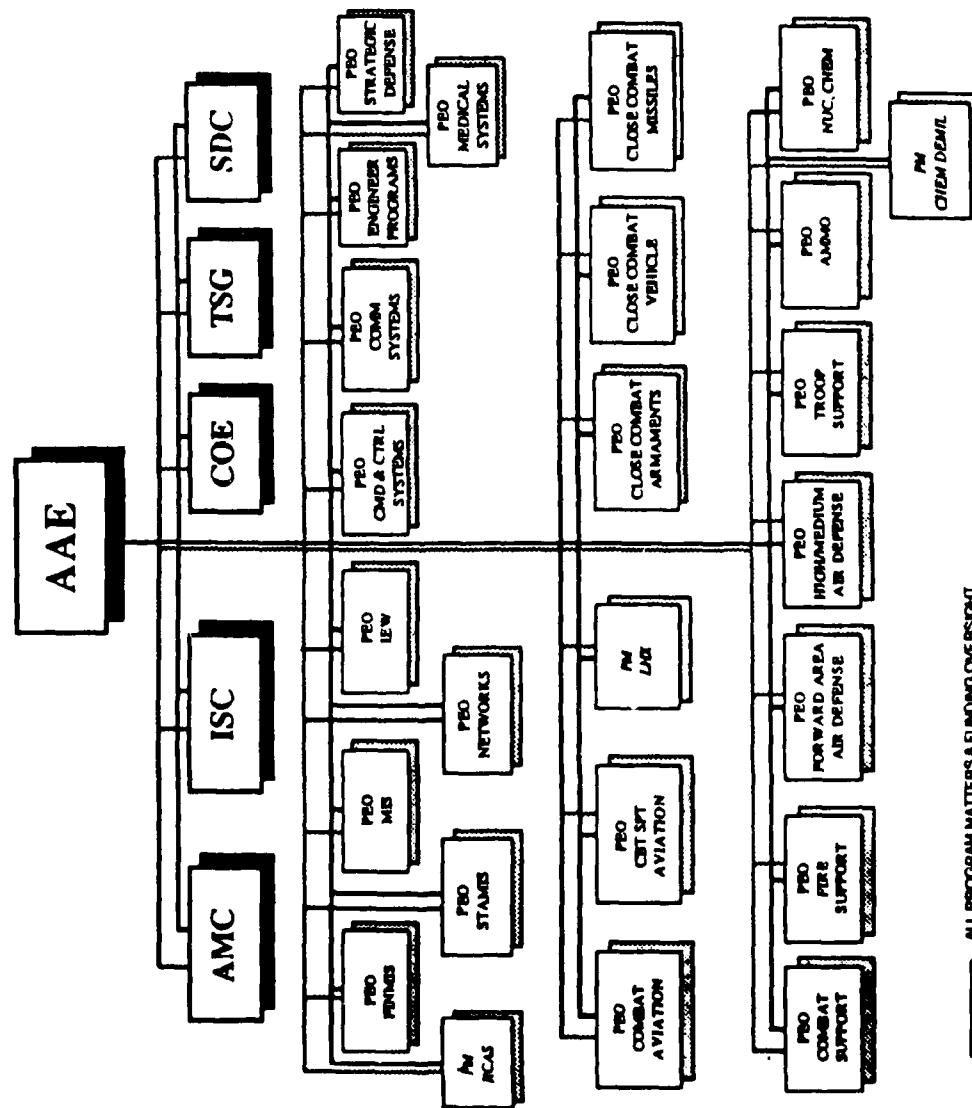the system fails.

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ARMY ACQUISITION STRUCTURE

- ARMY ACQUISITION EXECUTIVE (AAE):

  - Under Secretary of the Army.

  - Assistant Secretaries of the Army will assist the AAE in the execution of his duties (DISC4 - Information Systems; ASA(I&L) - Chem/Demil; etc).

- PROGRAM EXECUTIVE OFFICERS (PEOs):

  - "Capstone" PMs have been designated as PEOs.

  - 128 major, designated acquisition programs (DAPs) and non-major programs have been designated as "Executive Programs" to transition to PEO management by Sept 87.

  - These programs will be managed by 22 PEOs and 3 direct reporting Program Managers.

  - All other systems and services will be managed by the commodity commands.

  - PEO will report directly to the AAE on program matters.

- IMPLEMENTATION

  - Initial concept published on 30 January 87.

  - PEO Implementation Concept approved 29 April 87.

AAE

AMC ISC COE TSG SDC

PEO FINANCE
PM RCAS
PEO STAMIS
PEO MIS
PEO NETWORKS
PEO CBT SPT AVIATION
PEO COMBAT AVIATION
PM LHX
PEO IEW
PEO CMD & CTRL SYSTEMS
PEO COMM SYSTEMS
PEO ENGINEER PROGRAMS
PEO STRATEGIC DEFENSE
PEO MEDICAL SYSTEMS
PEO CLOSE COMBAT ARMAMENTS
PEO CLOSE COMBAT VEHICLE
PEO CLOSE COMBAT MISSILES
PEO COMBAT SUPPORT
PEO FIRE SUPPORT
PEO FORWARD AREA AIR DEFENSE
PEO HIGH/MEDIUM AIR DEFENSE
PEO TROOP SUPPORT
PEO AMMO
PEO NUC, CHEM
PM CHEM DEMIL

ALL PROGRAM MATTERS & FUNDING OVERSIGHT
FUNCTIONAL & ADMIN SUPPORT

FIGURE 1.

AIR FORCE ACQUISITION STRUCTURE
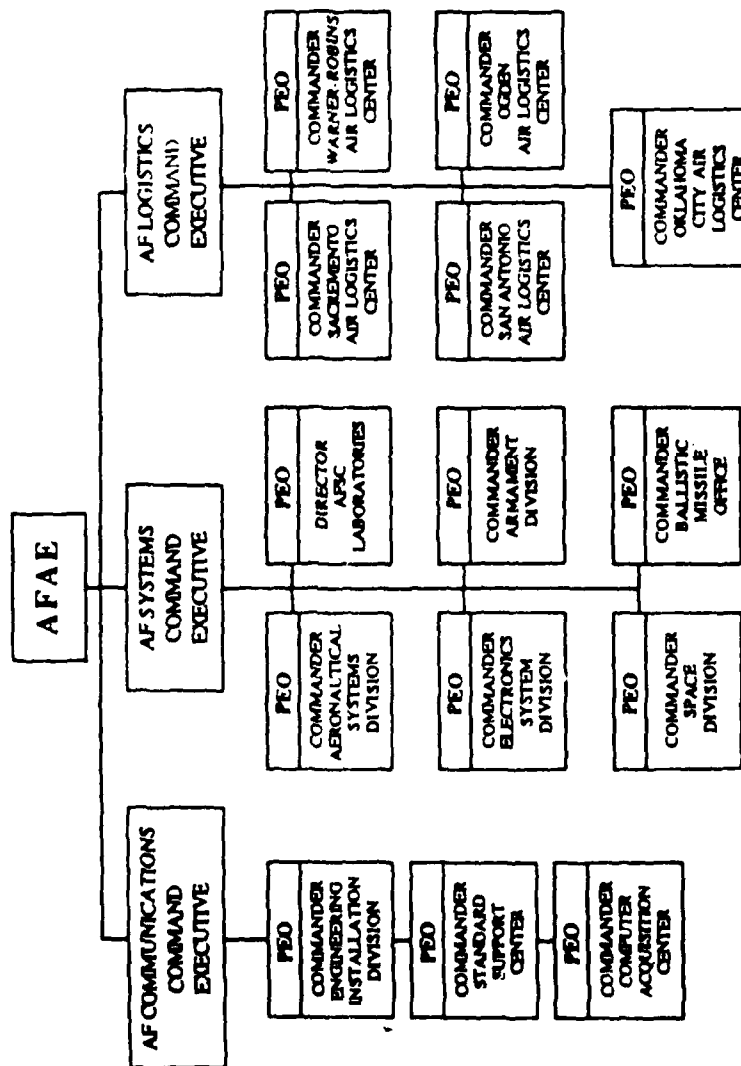
- AIR FORCE ACQUISITION EXECUTIVE (AFAE):
  - Under Secretary of the Air Force

- PROGRAM EXECUTIVE OFFICERS (PEOs):
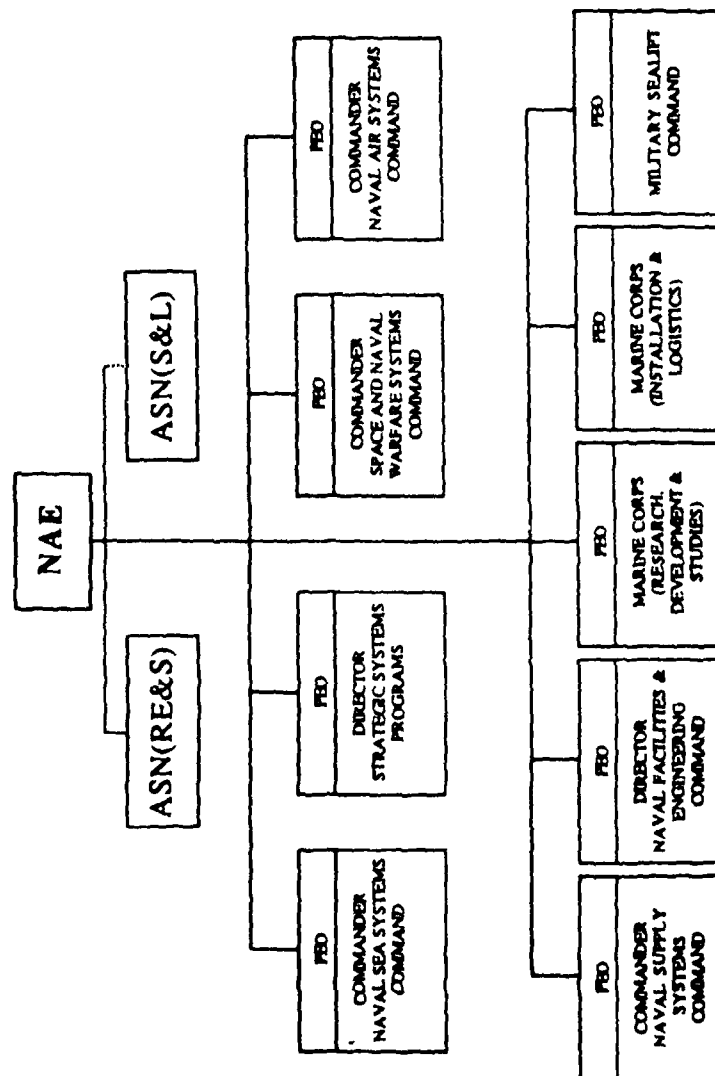 - Commanders of the Product Divisions in the Air Force Communications Command, Air Force Systems Command, and Air Force Logistics Command have been designated as Program Executive Officers. PEOs will be designated in other commands as appropriate.
  - 15 "Executive Programs" have been designated as PEO managed programs.
  - PEO will establish and maintain direct communications with the AFAE

- IMPLEMENTATION
  - Initial implementation directive published Jan 87.

AFAE

AF COMMUNICATIONS COMMAND EXECUTIVE

- PEO — COMMANDER ENGINEERING INSTALLATION DIVISION
- PEO — COMMANDER STANDARD SUPPORT CENTER
- PEO — COMMANDER COMPUTER ACQUISITION CENTER

AF SYSTEMS COMMAND EXECUTIVE

- PEO — COMMANDER AERONAUTICAL SYSTEMS DIVISION
- PEO — DIRECTOR AFSC LABORATORIES
- PEO — COMMANDER ELECTRONICS SYSTEM DIVISION
- PEO — COMMANDER ARMAMENT DIVISION
- PEO — COMMANDER SPACE DIVISION
- PEO — COMMANDER BALLISTIC MISSILE OFFICE

AF LOGISTICS COMMAND EXECUTIVE

- PEO — COMMANDER SACRAMENTO AIR LOGISTICS CENTER
- PEO — COMMANDER WARNER-ROBINS AIR LOGISTICS CENTER
- PEO — COMMANDER SAN ANTONIO AIR LOGISTICS CENTER
- PEO — COMMANDER OGDEN AIR LOGISTICS CENTER
- PEO — COMMANDER OKLAHOMA CITY AIR LOGISTICS CENTER

FIGURE 2.

NAVY ACQUISITION STRUCTURE

- NAVY ACQUISITION EXECUTIVE (NAE):

  - Secretary of the Navy designated as NAE August 86

    - ASN (Research, Engineering, and Systems) and ASN (Shipbuilding and Logistics) will assist for programs under their cognizance.

- PROGRAM EXECUTIVE OFFICERS (PEOs):

  - Commanders of the Navy Systems Commands (Sea, Space & Warfare, and Air) and the Strategic Systems Program Office have been designated as PEOs for all major organizations and programs under their cognizance.

  - Secretary of the Navy has designated 5 other PEOs since DoD Reorganization Act.

  - 24 programs designated as PEO managed programs.

  - PEOs report directly to the NAE on designated programs.

- IMPLEMENTATION

  - SECNAV Instruction 4210 published 4 Aug 1986

NAE

ASN(RE&S)

ASN(S&L)

PEO — COMMANDER NAVAL SEA SYSTEMS COMMAND

PEO — DIRECTOR STRATEGIC SYSTEMS PROGRAMS

PEO — COMMANDER SPACE AND NAVAL WARFARE SYSTEMS COMMAND

PEO — COMMANDER NAVAL AIR SYSTEMS COMMAND

PEO — COMMANDER NAVAL SUPPLY SYSTEMS COMMAND

PEO — DIRECTOR NAVAL FACILITIES & ENGINEERING COMMAND

PEO — MARINE CORPS (RESEARCH, DEVELOPMENT & STUDIES)

PEO — MARINE CORPS (INSTALLATION & LOGISTICS)

PEO — MILITARY SEALIFT COMMAND

FIGURE 3.

PEO Management Philosophy
LINES OF RESPONSIBILITY

Figure 4.

DAT
FILM